

Internal Revenue Service

District
Director

Department of the Treasury

P.O. Box 1540, GPO Brooklyn, N.Y. 11202

Date:

12/23/83

Person to Contact:

Contact Telephone Number

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for exemption from Federal income tax under the provisions of section 501(a) and as an organization described in section 501(c)(3) of the Internal Revenue Code.

Section 501(c)(3) grants exemption to organizations that are organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in any political campaign on behalf of any candidate for public office.

Income Tax Regulation 1.501(c)(3)-1(a)(1) provides that if the organization fails to meet either the organizational test or the operational test, it is not exempt.

Income Tax Regulation section 1.501(c)(3)-1(c)(1) states that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(c)(3)(i) of the Income Tax Regulations states that an organization is not operated exclusively for one or more exempt purposes if it is an "action" organization. An "action" organization is defined in Regulation 1.501(c)(3)-1(c)(3)(iii) as an organization which participates or intervenes, directly or indirectly, in any political campaign on behalf of or in opposition to any candidate for public office. Activities which constitute intervention in a political campaign include the publication or distribution of written statements or the making of oral statements on behalf of or in opposition to a candidate for public office.

In meeting the required organizational test, Income Tax Regulation 1.501(c)(3)-1(a)(1) provides that the purpose of an organization as set out in its organizational document must be one or more of the purposes specified in section 501(c)(3) of the Code. Under no circumstances may the organizational purposes be broader than the purposes specified in section 501(c)(3) of the Code. Section 1.501(c)(3)-1(b)(4) of the regulations holds that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose.

According to your Constitution which serves as your governing instrument, the purposes of the organization are:

1. To bring residents of the Town of [REDACTED] into the [REDACTED] Party and to provide an opportunity for them to find political expression and recognition;
2. To train people as effective political workers and to cooperate in the election of the [REDACTED] Party's nominees;
3. To foster and encourage the activities of the [REDACTED] party and to promote its ideals;
4. To collect, analyze, discuss and disseminate information concerning political affairs, and
5. To carry on such activities as tend to further these purposes.

These purposes are not purposes which are specified in section 501(c)(3) and point to political activity and intervention in political campaigns by your organization.

On page three of Form 1023, "Application for Recognition of Exemption," you state that you will campaign for [REDACTED] candidates running for office. Also, you run campaign ads in newspapers and on radio. In a projected budget for the year ending [REDACTED], you expect that [REDACTED] percent of your expenses will be for campaign contributions.

It is also noted that your constitution makes no provision for the distribution of assets upon termination or dissolution of your organization.

Since your organization engages in activities which are not in furtherance of section 501(c)(3) purposes and because you are an "action" organization intervening in political campaigns, you do not meet the operational test required in Income Tax Regulation 1.501(c)(3)-1(a)(1).

Since the purposes of your organization are not specified in section 501(c)(3) and your assets are not dedicated to exempt purposes, you do not meet the organizational test set out in Income Tax Regulation 1.501(c)(3)-1(b).

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(3) of the Code and your application must be denied.

If you do not agree with this determination, you may, within thirty days of the date of this letter, file a protest in accordance with the enclosed instructions, Publication 892. Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within thirty days, this case will be closed and the appropriate State official will be notified.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

You are reminded of the liability to file Federal income tax returns, form 1120.

Sincerely yours,

/s/ [REDACTED]

District Director

Enclosure: Publication 892